

2006-2007 PERFORMANCE PLAN – PORTFOLIO MANAGER, U.S. GOVERNMENT SECURITIES (GRADY)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Other Managed Fixed Income Funds	<p>Net of Fees, excess return in basis points relative to:</p> <ul style="list-style-type: none"> (6%) Pooled U.S. Government – CalPERS Custom Government ex TIPS {SK96 – CALLGOXT} (2%) Total Affiliates Fund- CalPERS Custom LEH LPF ex TIPS and High Yield {SKGKA1-CPERID1D} (3%) Pooled U.S. Government TIPS Fund – CalPERS TIPS {SKA1 – CALTIPS2} <p>Gross of Fees, excess return in basis points relative to:</p> <ul style="list-style-type: none"> (2%) Deferred Compensation Intermediate Treasury – CalPERS Custom LEH 1-10 Treasury {SK50 – CALLEH12} (2%) Deferred Compensation Short Term Treasury – PERS 1 Month T-bill {SK51 – CPER1MT2} 	<p>0 basis points = 0 +20 basis points = 1.0 +30 basis points = 1.5</p> <p>0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5</p> <p>0 basis points = 0 +10 basis points = 1.0 +20 basis points = 1.5</p> <p>0 basis points = 0 +10 basis points = 1.0 +20 basis points = 1.5</p> <p>0 basis points = 0 +10 basis points = 1.0 +20 basis points = 1.5</p>
40%	CalPERS Internal Governments	<p>Net of Fees, excess return in basis points relative to:</p> <p>Internal Governments – CalPERS Custom Government {SW1H – CALCTI2}</p>	<p>0 basis points = 0 +20 basis points = 1.0 +30 basis points = 1.5</p>
30%	CalPERS Domestic Fixed Income (FI), Internal	<p>Net of Fees, excess return in basis points relative to:</p> <p>Domestic Fixed Income (FI), Internal – CalPERS Custom LEH LPF {SW4KA1 – CALCLP2}</p>	<p>0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5</p>
85%	Subtotal	Quantitative Measures	

2006-2007 PERFORMANCE PLAN – PORTFOLIO MANAGER, U.S. GOVERNMENT SECURITIES (GRADY)

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Leadership	Demonstrate leadership within CalPERS and in the external investment community. Dimensions include leadership: <ul style="list-style-type: none">• Within Investment Group• Trustees• CalPERS• External Investment Community	From Schedule
15%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

Supervisor's Approval: Original signed by Russell Read

Date: August 1, 2006